

Message Text

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44

ACTION EUR-25

INFO OCT-01 ADP-00 AID-20 CEA-02 CIAE-00 COME-00 EB-11

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TO SECSTATE WASHDC 4469

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DEPARTMENT PASS TREASURY

E. O. 11652: N/ A

TAGS: ECON, EFIN, OECD, GW

SUBJECT: EDRC ANNUAL REVIEW OF GERMANY

REF: (A) OECD PARIS 9928; (B) BONN 2545; (C) BONN

A-212

1. WE ARE IN GENERAL AGREEMENT WITH THE OECD ASSESSMENT, BUT BELIEVE THAT OVERHEATING IN THE ECONOMY IS FURTHER ADVANCED THAN THE SURVEY SUGGESTS. THE MARCH COST-OF-LIVING INDEX WAS 6.9 PERCENT ABOVE MARCH 1972, A NEW RECORD FOR THE FRG.

2. IT IS NOT FULLY CLEAR TO US HOW THE OECD ARRIVED AT ITS NATIONAL INCOME ACCOUNTS PROJECTION FOR PUBLIC SECTOR REVENUE AND EXPENDITURES. HOWEVER, THE ASSESSMENT OF THE ANTI- CYCLICAL IMPACT OF THE PUBLIC SECTOR IN 1973 (EXPRESSED AS FINANCIAL BALANCE ON PAGE 8 OF EDR (73)6) APPEARS UNREALISTICALLY LARGE. WE DOUBT, IN THE FIRST INSTANCE, THAT THE GOVERNMENT WILL HOLD EXPENDITURES TO THE BUDGETED LEVELS. IT IS ALSO VERY UNCERTAIN

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THAT THE GOVERNMENT' S ANTI- CYCLICAL PROGRAM WILL BE
ENACTED IN ITS PRESENT FORM (SEE REFTELS B AND C).
THE SURVEY SEEMS TO PROCEED ON OPPOSITE ASSUMPTIONS IN
BOTH CASES.

3. WE HAVE BEEN TOLD THAT THE GERMAN DELEGATION IS
LIKELY TO TAKE EXCEPTION TO THE SECTION ON INCOMES
POLICIES-- WASHINGTON GUIDANCE ON THE US POSITION ON THE
SECRETARIAT PROPOSAL (WHICH COULD ALSO BE APPLIED TO
OTHER COUNTRIES) MIGHT BE USEFUL. HILLENBRAND

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*** Current Classification *** LIMITED OFFICIAL USE

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